Chapter IX

Employee Perceptions of Outsourcing of Information Technology Operations: An Empirical Investigation

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Abstract

Little research exists that address employee perceptions of information technology (IT) outsourcing, and its effects on IT employees. This chapter examines a study that investigated perceptions of employees directly involved in IT outsourcing and correlated these perceptions with factors identified in earlier studies. The following human resource factors associated with outsourcing were evaluated: job security, benefits and compensation, morale, productivity, training and skills, and career opportunities. The study evaluated four hypotheses that contended transitioned employees benefited more from IT outsourcing. Results
substantiated those of two previous studies of employee perception of IT outsourcing. However, there was no statistical evidence to support the contention that transitioned professionals benefit more from outsourcing than retained professionals. To assist management with addressing these issues, a Modified Management Outsourcing Adoption Model, based on an earlier study, is presented as a tool for use in management action plans to incorporate employee perspectives into the outsourcing process and potentially lead to more successful outsourcing ventures.

**Introduction**

Loh and Venkatraman (1992) defined information systems (IS)/information technology (IT) outsourcing as the significant contribution external vendors provide in physical and human resources (HR) associated with the entire or specific components of the IT infrastructure. Hirschheim and Lacity (2000) said IT outsourcing involves transferring assets, leases, staff, and management responsibility for delivery of services from internal IT management to third-party vendors. Aside from the contracting of skills, assets, and resources, outsourcing also is contracting for results, where the *quality* of both the vendor and the company’s respective skills and resources is highly important to the success or failure of the outsourcing initiative (Kakabadse & Kakabadse, 2000).

Researchers including Hurley and Schaumann (1997) and Kakabadse and Kakabadse (2000) state that IT outsourcing services include, but are not limited to:

- Data processing
- Business information accessing through external databases
- Systems integration
- Facilities management
- Contract programming
- Global networking
- Configuration management